

Blue Shield of California 2010 Proposals

CalPERS WELLNESS INITIATIVE

INTRODUCTION

Blue Shield recommends development of a CalPERS-branded wellness initiative. Getting members to adopt healthier lifestyles is crucial to managing future cost trends, a major opportunity to materially reduce health care cost trends, and a way to ensure members are healthier and more productive. Blue Shield is committed to its continued partnership with CalPERS on innovative solutions that encourage the adoption of healthy lifestyles. This proposed initiative is intended to improve employee engagement with wellness programs and to address one of the key drivers of CalPERS' long-term health care costs.

BACKGROUND

CalPERS' current wellness and disease management programs are designed to inform, educate and support members at every level -- from achieving and maintaining a healthy lifestyle, through managing chronic conditions and complex medical issues. By expanding its efforts to further solidify member and provider engagement on wellness, Blue Shield believes that CalPERS can more effectively address member health status and its impact on long-term health care costs. A strong capability to measure, test, learn, and adapt is a necessary condition of success. Under this proposal CalPERS will determine how to brand the wellness program and who will manage it. Successful expansion of the CalPERS wellness offerings will require the active engagement of CalPERS management and staff, individual state and local agency leaders, members, health plans, and providers.

INITIATIVE COMPONENTS

Blue Shield has conducted extensive research on employee wellness programs to identify what factors drive success with regard to lifestyle change and improved health outcomes. The research clearly indicates that strong and visible management engagement; convenient employee access to wellness programs and screening services; one-on-one interaction with a wellness mentor or coach; and enhanced engagement with an employee's primary care physician can all help produce successful outcomes. As such, Blue Shield recommends that CalPERS consider the following components for a wellness initiative:

- Pilot worksite wellness centers
- On-site biometric screening
- Individualized health coaching
- Increased physician engagement in wellness programs
- Other programs identified through initiative development process

Blue Shield proposes that any initiative also include the engagement of a qualified, independent third party to assist in the design of the initiative and to measure results.

PROPOSED NEXT STEPS

Blue Shield recommends first obtaining the preliminary feedback of the HBC and CalPERS management and staff. Based upon that feedback and direction, employer, member, and plan stakeholders would be convened to obtain input on CalPERS-proposed initiative components and to identify other potential initiative components. This feedback would be used to inform the final scope and design of a detailed proposal to be brought back to the HBC for review and action.

GROUP MEDICARE ADVANTAGE/PART D PRODUCT

INTRODUCTION

Blue Shield proposes establishment of a Group Medicare Advantage/Part D (GMA - PD) product for eligible CalPERS Blue Shield members effective January 1, 2010.

BACKGROUND

A Medicare Advantage health plan is a plan that has contracted with the federal government under the Medicare Advantage program (formerly called Medicare + Choice) to provide health benefits to persons eligible for Medicare that enroll in and obtain services from the plan instead of receiving their benefits and care through the traditional fee-for-service Medicare program. Medicare pays Medicare Advantage plans to provide all traditional Medicare basic benefits, with the plans using any savings to provide additional benefits (vision, hearing care, dental, etc.) to the members. Medicare Advantage plans are offered on both an individual and group basis.

In order to participate in a Medicare Advantage plan, members must be enrolled in both Medicare Parts A and B and receive all Medicare-covered benefits through the plan. Members are required to choose a Primary Care Physician and to receive services from the plan's network providers. The Medicare Prescription Drug, Improvement and Modernization Act (MMA) established a prescription drug benefit program, referred to as Medicare Part D, effective January 1, 2006. A GMA-PD plan administers and delivers both medical services and prescription drug coverage under the Part D program. CalPERS is currently offering a GMA-PD plan in selected areas to members via Kaiser Health Plan.

Enrollment in Medicare Advantage plans has fluctuated over the past ten years as government reimbursement to the plans has fluctuated. After a precipitous drop between 1999 and 2002, the program has seen a rapid rise in both plans and enrollments in the recent past, primarily due to higher payments to the plans.

Blue Shield has been developing a GMA-PD product and will be introducing this plan for commercial group accounts effective January 2009. During the most recent rate discussions, Blue Shield had proposed adding a GMA-PD plan for CalPERS for 2009 in seven counties in Southern California. Blue Shield is currently reviewing options to further develop GMA-PD provider networks for potential expansion of the proposed service area to include regions beyond Southern California.

ANALYSIS

Blue Shield currently has 22,000 CalPERS members enrolled in the Supplement to Medicare ("Medicare Wrap") product. These members would be eligible to enroll in the new Blue Shield GMA-PD product. The benefits offered under the GMA-PD plan would mirror those currently available to retirees under the existing Kaiser Medicare Advantage plan. Members would benefit from having their care closely coordinated by their primary care physician, receiving enhanced pharmacy benefit management services, and not having to file Medicare claims forms.

In addition, CalPERS will benefit from reduced costs that will result from introduction of a GMA-PD product. During the recent 2009 rate renewal process, Blue Shield proposed introducing a GMA-PD product for CalPERS in select Southern California counties. The projected premium savings to CalPERS under that proposal was \$6.3 million. An updated analysis of this proposal projects premium savings to CalPERS in the range of \$6-8 million.

PROPOSED NEXT STEPS

Blue Shield will develop and present a comprehensive proposal to introduce a GMA-PD plan for CalPERS members effective January 1, 2010. The components of this proposal will include detailed analysis of the following:

- Provider Networks
- Member Disruption Analysis
- Benefit Structure
- Premium Savings And Retiree Drug Subsidy Impacts
- Member Communications Plan

We are seeking CalPERS' initial input to inform the design and scope of a final detailed proposal that would be presented at a future HBC for review and possible action.

PHARMACY MAIL ORDER SERVICE INCENTIVE

INTRODUCTION

Blue Shield of California currently provides a mail order pharmacy service that allows members to fill chronic maintenance medications (such as lisinopril and atenolol for high blood pressure and simvastatin and lipitor for high cholesterol) through Blue Shield's mail service pharmacy, PrimeMail, for 60- to 90-day supplies.

Blue Shield proposes to implement a new pharmacy mail order service incentive option effective January 1, 2010, for CalPERS members, equivalent to the mail service incentive program offered for the PERS Select, PERSCare and PERS Choice PPO plans.

BACKGROUND

Blue Shield's proposed pharmacy mail order incentive would drive increased utilization of the lower cost mail order service by offering savings to members who move their prescription refills of chronic maintenance medications from the retail pharmacy to the mail order service.

ANALYSIS

Approximately 28% of all CalPERS Blue Shield members are on maintenance medications and would be impacted by this incentive program. Under this proposal CalPERS' projected annual savings would be up to \$3.9 M and members would save by not incurring higher copays when, after their second fill of a maintenance medication, they move their refills to the mail service program. By moving to mail service, they would also save by receiving up to a three month supply of medication at a copay equal to two months of retail copays. On average, each impacted utilizing member can save about \$200 per year by converting their maintenance medications to the mail order service. Conversely, each impacted utilizing member who does not convert to the mail service program, may spend an average of \$393 more per year in increased copays by continuing to refill 30-day maintenance medications at a retail pharmacy.

NEXT STEPS

Blue Shield will finalize development of this proposal based upon feedback from the HBC and CalPERS staff and will bring a detailed proposal back to the HBC for review and potential action.